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SUBJECT: Short March: Chaozhou -- One of Guangdong's
Hidden Gems

Ref: Guangzhou 11065 and previous

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11. (U) Summary: Displaced by Shantou after the Communist
takeover as the key city of eastern Guangdong, Chaozhou is
coming back strong basing its rise on its huge ceramic
industry and strong representation in niche sectors such as
wedding gown manufacturing, with strong business
associations developing brand awareness and other
intellectual property rights (IPR). The government has
shown substantial foresight, balancing economic development
needs against quality of life issues and appears ready to
exploit its considerable historical and cultural assets --
not to mention improving transportation infrastructure --
for a potentially huge boom in tourism. The city possesses
great dynamism, exploiting its comparative advantages while
searching for new opportunities. End Summary

Chaozhou -- The Once and Future

12. (SBU) Entering Chaozhou in the next leg of the
Consulate's "short march" to the "Chao-Shan" region of
eastern Guangdong (reftel), we were whisked away to a
spectacular pavilion and park complex built in the 10th
century celebrating the famous Tang dynasty memorialist and
philosopher, Han Yu, famous for denouncing Buddhism as a
foreign superstition and who, as magistrate, regularized
the agricultural system and drove away the crocodiles,
thereby putting Chaozhou on the way to fortune and fame.
That visit put the Consulate party in a very positive and
excited frame in mind when Vice Mayor Chen Jianxin noted
that Chaozhou was established 1600 years ago and was once
just as important and as well known as Guangzhou as the
major centers of civilization and commerce in Guangdong
province.

13. (U) The Vice Mayor noted that Chaozhou is 3,600 sq. km.
in size and has a population of 2.5 million. The GDP in
2005 was RMB 28 billion (US\$ 3.5 billion), 18th overall
among cities in Guangdong province. In 2004, the city's
utilized FDI was over US\$ 58 million. These numbers may
not look particularly impressive, but Vice Mayor Chen
pointed out that Chaozhou's ceramics industry -- comprised

overwhelmingly of local small and medium enterprises -- is number one in China, accounting for one third of China's total ceramic product exports. Ceramics, together with textiles, agriculture, and consumer electronics make up the four pillar industries accounting for approximately 80% of the total exports from the city.

14. (SBU) Vice Mayor Chen also noted (not the last time we would hear this theme) that Chaozhou (also known as Teochow in older history books) is quite properly the real center of the "Chao-Shan" area. Millions of overseas Chinese come from this region, mostly settling in southeast Asia, particularly Thailand and Indonesia, and whether they actually come from Jieyang or Shantou (known also as Swatow in older history books) or Chaozhou, they always identify themselves as coming from Chaozhou. To be sure, Shantou has been officially designated the center of the region by provincial authorities and has a greater degree of economic development (in part because of its designation as a special economic zone in the first part of Deng Xiaoping's "reform and opening" of China), but Chaozhou has come on strong in recent years and is poised for even quicker economic growth.

Roads, Railroads, Ports, and Zones

15. (SBU) In a separate meeting presided over by municipal Deputy Secretary General Zeng Wuxiong, Development and Reform Bureau (DRB) Deputy Director Li Kongxi said that Chaozhou's 11th five year plan calls for major investment in infrastructure, including the completion of a highway network integrating the eastern Guangdong area and connecting the area as a whole to Guangdong and Fujian.

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The current railroad line between Xiamen and Guangzhou has a station in Chaozhou, but a future high-speed line between Shanghai and Shenzhen will also feature a Chaozhou station. Meanwhile the replacement of the Shantou airport with a much larger regional one in Jieyang roughly equidistant to the urban centers of Jieyang, Chaozhou, and Shantou promises to shift some attention to Chaozhou away from Shantou.

16. (SBU) In addition, Chaozhou intends to upgrade its harbor to accommodate 5,000-ton vessels and has set up a number of special economic experimental zones, including the Chaozhou Sanbaimen Economic Development Experimental Zone and the Raoping Taiwan Investment Experimental Zone to largely attract investments from overseas Chinese, particularly from Taiwan, Hong Kong and Southeast Asia. The Taiwan investors are targeted in particular due to the close proximity of Chaozhou to Kaoshiung, Taiwan's major port city. These zones are still largely light industrial zones, aimed at producing a plethora of goods from sporting goods to toys to house-wares.

Adding Gas To The Economy

17. (SBU) Chaozhou also plans to diversify their economy, expanding into pharmaceuticals, high-tech, and heavy industries. One of the planned projects is the construction of a liquefied petroleum gas distribution center with an annual capacity of 1.2 million tons. However, when asked about potential environmental concerns arising from the development of heavy industrial and energy refining, officials quickly backpedaled and said that they were only in the planning stages and that they have not yet gone forward until all environmental issues were examined.

Unbroken China

18. (U) Turning to some of Chaozhou's industries, we visited the Fengxi Porcelain Exhibition Center. The entrance way featured an enormous reproduction of the famous painting "On the River During Qingming" ("Qingming

Shanghe Tu") comprised completely of ceramic materials. All the major Chaozhou ceramic manufacturers were represented in the exhibition center which doubled also as a museum featuring the long history of Chaozhou as a ceramics manufacturing center (because of the concentration of artisans settling in the area after escaping from turmoil in the north a millennium ago) and the huge diversity of products ranging from artistic figurines and Dresden porcelain-like flowered and filigreed bone china (not surprising since Dresden consciously copied older Chinese styles) to complete china services, including ones specifically ordered for use by the Chinese leadership in Beijing for state occasions.

¶9. (SBU) Next came a visit to Songhua Ceramics, one of the largest in Chaozhou and a manufacturer of dinner ware and home use items in a dizzying array of patterns, styles, and quality. Company executives said that competitive pressures meant that Songhua had to constantly change its lineup of goods on offer. Its export market was mostly Europe, and Songhua would either manufacture based on customers' designs or would design something itself and seek out potential customers. This involved a considerable amount of product development and design, and hence Songhua was very supportive of strong IPR protection. Songhua was not alone in this, and the Chaozhou ceramics industry has a very strong business association aimed not only at promoting Chaozhou as an overall "brand" for all ceramics produced there but also at resolving IPR disputes among association members efficiently without having to go through administrative or court procedures. Moreover, the association was also very much engaged, along with municipal officials, for protecting local companies' products against IPR infringers elsewhere.

Here Comes The Bride

¶10. (SBU) We then visited a company representing one of

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Chaozhou's important niche industries, wedding gown manufacturing. Chaozhou companies produce over half a million wedding gowns and evening dresses a year, primarily for export to the United States. The industry is concentrated in the Chaozhou area due to the availability of skilled workers able to do the intricate embroidery needed on wedding gowns and dresses. Wellpute Chaozhou Garment Factory Ltd. President Lin Yang pointed out he and his competitors have done very well and that because of the high skills needed for employees, they are well rewarded by Chinese standards. Working conditions appeared good, and skilled seamstresses are able to earn up to RMB 8,000 (US\$ 1000) per month with chief designers making much more. Some of the gowns already had price tags for their destination companies, allowing the dresses to be delivered directly to the stores for immediate sale. In addition, manufacturers appear to take great pains to protect the IPR of their clients. For example, Wellpute has completely separate facilities to manufacture gowns for different clients, thus preventing any leakage of designs from one customer's product line to another.

Bring On The Tourists

¶11. (U) The strength of the ceramics and wedding gown industries is based on the high sense of fine cultural achievement, and so it is not surprising that Chaozhou intends to play its strong cultural hand through heavy investment in tourism. In addition to the Han Yu Temple complex, Chaozhou also features a completely rebuilt Kaiyuan Temple -- trashed during the Cultural Revolution -- featuring the intricate raised embroidery distinctive to Chaozhou and finely detailed giant Buddhist images produced by Chaozhou's famous woodcarving artisans (also known for their work in Sino-Thai Buddhist temples). It is said that even Han Yu, known for his anti-Buddhist stance, relaxed

that posture after extended meetings with the Kaiyuan Abbot.

¶12. (U) Just as stunning as the Han Yu and Kaiyuan Temples, a large portion of its Ming Dynasty-era city walls survives, centering on the Guangji Gate, around which a tourist shopping and dining area is being developed. Opposite the gate, is the Xiangzi Bridge, a "stone pivot bridge" unique in the world. In the 1950's the original bridge was largely dismantled, but with a forty percent contribution from Hong Kong tycoon Li Ka-shing through his foundation, the city is restoring the bridge's original wooden structure, including recreating the original wooden pontoon bridge that spans the middle of the bridge that pivot to allow ships to sail down the river. Each of the bridge's large stone pillars feature wooden pavilions that can be used as shops or restaurants. The Guangji Gate and the Xiangzi Bridge could easily become one of the most picturesque scenes in China, once the bridge restoration is completed in September.

¶13. (U) In addition, Chaozhou has built more modern attractions, including a massive central square in the heart of the city. For one hour each evening, residents and visitors can enjoy a free water and light show with hundreds of synchronized lights and water fountains as well as a massive water screen that displays music videos and video clips. Despite costing RMB 10,000 each evening to display such a performance, the shows are very popular and attract people from Shantou and Jieyang, which are less than a hour's drive away. Besides government buildings, a museum and several new shopping areas will surround the square. Moreover, new "old" projects also are likely to be major drawing cards, such as the Tanfuyuan complex, located in a beautifully tranquil setting and featuring a replica of the "Palace to Receive Thai Tribute," a Buddhist temple complex, and a Confucian-inspired school aimed at teaching the Chaozhou dialect to Thai-Chinese students -- all built through the generous contribution of the late third generation Thai-Chinese tycoon Guo Fengyuan.

Some Tourist Development Problems

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¶14. (U) Deputy Director of the Tourism Bureau Zheng Yongning, while clearly exulting in the sights available in Chaozhou, noted that the city lacks name recognition among foreigners and is not very well connected to areas outside of eastern Guangdong and the Pearl River Delta. To be sure, the new airport in Jieyang could help funnel some additional domestic tourists to Chaozhou, but the city also lacks quality hospitality facilities, such as high class hotels. Tourism cooperation efforts with Jieyang and Shantou not to mention a tourism development cooperation agreement among 18 municipalities in Guangdong province have not panned out well.

Comment: A Hopeful Future

¶15. (SBU) Chaozhou has a strong entrepreneurial feel to it, and its cultural aspects make it clearly the most attractive place when compared to sleepy Jieyang and sleazy and slightly dangerous Shantou. One of its weaknesses -- perhaps indicative of the region as a whole -- is the lack of quality tertiary education facilities to provide the educated workers necessary for high-tech industries and the managerial talent to found and run enterprises. Still, with cultural and natural attractions that can potentially make Chaozhou as well known as Guilin, improved tourist infrastructure, better marketing, and concentration on its strengths Chaozhou may indeed restore the glory of its previous days when it was the shining rival to Guangzhou.

¶16. (SBU) Departing Chaozhou, we next head for Huizhou -- not really part of "Chao-Shan" country, but a needed rest

for the night on the long way back to Guangzhou. Moreover, Huizhou gave us an opportunity to stop in at television and telephone manufacturer TCL -- the main subject of our next message in the "short march" series.

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